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Drying coffee in Brazil.

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- World Coffee, Tea and Cocoa Prices Soar

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Drying coffee in Brazil, where coffee production this year is down sharply and prices are up as a result of the country's devastating frost of July 1975. See article opposite.

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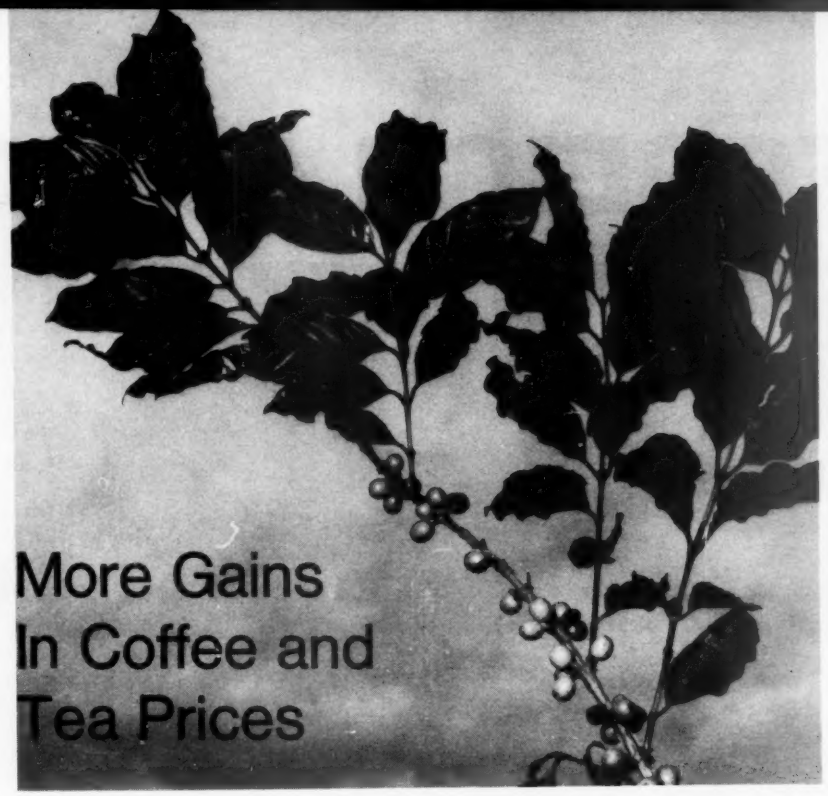

More Gains In Coffee and Tea Prices

By WILLIAM C. BOWSER and REX E. T. DULL
Foreign Commodity Analysis, Sugar and Tropical Products
Foreign Agricultural Service

FINDING an inexpensive cup of coffee or tea will become increasingly difficult in the months ahead as retail prices of both coffee and tea start reflecting record wholesale prices.

In October 1976, the average composite price for green coffee on the New York market stood at $1.64 per pound—10 cents higher than in September and 73 percent above the January price. In October 1976, the average London auction price for all teas was 102.9 pence per kilogram (about 79 U.S. cents per lb), up from 97.5 pence in September to stand nearly 60 percent higher, in terms of British currency, than the average January price.

The latest prices for both commodities were record monthly highs and are indicative of the price movements in coffee and tea since early 1976.

For coffee, recent monthly price rises have been spectacular, especially since March. For tea, the big jump in prices occurred in June, but the weakening of the British pound throughout the year has tended to exaggerate the upward price movement in this commodity. (Tea prices traditionally have been more stable than those for coffee. Tea prices showed a marked increase in 1974, but leveled off in real terms in 1975, while green coffee prices have trended generally upward since 1969.)

Prices of both commodities have been forced up recently by a tightening in the supply-demand positions, although the problem is much less pronounced for tea than for coffee.[1]

Because both coffee and tea are grown on trees (or bushes), which require some 3 to 5 years to produce commercial yields from seedling plantings, growers cannot readily alter annual output, except by crop management and the use or nonuse of fertilizers, insecticides, and other inputs. In addition to crop situations that are special to these commodities, coffee and tea are beset with much the same higher cost inputs and general inflationary conditions that have affected practically all crops in recent years.

Coffee. For the month of June 1975, the average composite price of green coffee beans, as computed by the International Coffee Organization (ICO), was 63 cents a pound on the New York

[1] **See FAS Circulars on world production of coffee and tea—FCOF 4-76 and FTEA 3-76, respectively.**

Left to right: Branches of Arabica coffee tree, Sao Paulo, Brazil; tea pluckers on a Kenyan tea estate; and Dominican Republic workers spreading coffee beans to dry in the sun. The severe cutback in Brazilian coffee production following that nation's severe frost of July 1975 has sent coffee prices soaring. And with some consumers switching from coffee to tea in resistance to the price gains, tea prices also are on the rise.

market, about 3 cents higher than in May but 2 cents less than the average price for January. For coffee, a highly price-volatile commodity, the price movement during the first half of 1975 was relatively mild.

By August 1975, however, the composite price for coffee had jumped to 88.5 cents a pound only to rise to 95 cents by January 1976, and then go on to reach a record average monthly high of $1.64 a pound in October 1976. As of mid-November, the composite price was over $1.80 and could well attain new record highs during the balance of the year, with possible further increases in 1977.

The phenomenon behind this dramatic rise in green coffee prices occurred in July 1975. A particularly severe frost struck principal Brazilian coffee growing regions on July 17 and 18, 1975. The frost killed most of the coffee trees in the State of Paraná, severely damaged trees in São Paulo, and affected other growing areas as well. While the bulk of Brazil's 1975/76 coffee crop was already safely harvested, the 1976/77 crop potential was reduced by 60 percent or more, with a drop in exportable supplies.

Although the U.S. consumer is fully aware that coffee prices have gone up sharply in recent months, the full impact of the present level of prices for green coffee has not yet been registered on the retail shelves. Wholesale prices have nearly doubled in the past 15 months and are still rising.

Because there is a natural lag in price increases between the wholesale and retail levels, prices to consumers will almost certainly go up. In June 1975, the wholesale price of a 1-pound can of roasted coffee, according to the Bureau of Labor Statistics, was $1.21 a pound while the retail price was $1.27. In January 1976, corresponding wholesale and retail prices were $1.46 and $1.53 a pound, respectively. By October 1976, the average wholesale price had moved up to $2.24 a pound, while the retail price lagged at $2.12.

The 1976/77 exportable world coffee crop is presently forecast by FAS at 44.7 million bags of 60 kilograms each, nearly 20 percent below comparable 1975/76 availabilities, and about 10 million bags less than estimated net import demand. Thus, producing countries' stocks of coffee, held mainly by Brazil, along with importers' inventories, will be drawn down by about this quantity in 1976/77.

Barring any further major crop disasters, such as another frost in Brazil, world coffee production should return to normal trend by 1979/80 and perhaps sooner. Although present world stocks are considered adequate to offset foreseeable crop deficits, world supplies in the interim years will continue tight, and prices will remain relatively high.

Tea. London auction prices for all teas during January-October 1976 averaged 80 pence per kilogram (about 68 cents per lb), compared to averages of 62.4, 59.9, and 43.4 pence in the 3 previous calendar years. Moreover, the October 1976 average was 102.9 pence per kilogram, reflecting the tightening of supplies and the weakening of the British pound.

World supply and demand for tea was estimated to be nearly in balance in 1976, following a similar position in 1975. However, supplies are tightening in response to a boost in tea consumption as some consumers switch to tea from higher priced coffee.

World tea production (excluding the People's Republic of China) is estimated at 1.29 million metric tons for

1976, up slightly from the 1975 outturn of 1.27 million. For 1977, a modest increase is seen as a result of expansion of new plantings in Africa.

India produced a record crop in 1976, but domestic consumption usually absorbs over one-half of the output, thus limiting export availabilities. Production in Sri Lanka (Ceylon) is declining, and the 1976 harvest was the lowest since 1960. The nationalization of the Sri Lankan tea industry has disrupted production and marketing, and, in anticipation of the takeover by the Land Reform Commission, growers have been reducing fertilizer usage and holding back on expanding acreage or replacing unproductive bushes. Thus, tea supplies have been tightening and prices have been moving higher in recent months.

AVERAGE PRICES OF GREEN COFFEE AND TEA, ANNUAL 1966-75, MONTHLY 1975/76

[In cents per pound]

Item	Green coffee[1]	Tea[2]
ANNUAL		
1966	39.6	56.7
1967	37.2	49.5
1968	37.4	46.6
1969	38.7	44.0
1970	50.5	49.7
1971	44.7	48.0
1972	50.4	47.9
1973	62.2	46.0
1974	68.0	63.5
1975	71.8	62.7
MONTHLY		
1975:		
January	65.0	69.4
February	63.8	70.2
March	60.7	69.8
April	59.5	64.8
May	60.3	60.6
June	63.0	63.5
July	[3]60.4	58.8
August	88.5	60.8
September	85.8	59.9
October	84.6	58.0
November	82.7	58.7
December	86.8	58.2
1976:		
January	95.0	59.6
February	101.9	60.3
March	100.5	58.7
April	123.2	60.6
May	138.9	62.8
June	149.2	73.1
July	142.3	78.6
August	150.9	73.4
September	154.2	77.8
October	164.5	79.3

[1] Composite price (ICO), New York, ex-dock, prompt shipment. [2] Average London auction prices, all teas, (original quotations in pence per kg.) [3] Based on prices through July 18.

World Cocoa Prices Soar As Supplies Tighten

By REX E. T. DULL
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Foreign Agricultural Service

WORLD COCOA prices have risen to record high levels in 1976, and this means that consumers will be paying higher prices for cocoa and chocolate products in the coming months. The recent sharp upturn in cocoa prices has been largely attributed to poor crop prospects in West Africa, where two-thirds of the world's supply is grown. Another factor contributing to higher prices has been the British currency situation, which has resulted in traders buying commodities as a hedge against the declining value of the British pound.

World cocoa bean production for the October-September 1976/77 season is expected to be less than 1.45 million tons, well under the 1975/76 outturn of 1.52 million. The smaller harvest this season comes on the heels of a 1975/76 crop that was just able to supply world consumption needs.

World cocoa bean stocks are currently estimated to be only slightly more than a 3 months' supply, and with a sizable stock drawdown in the offing in 1977, cocoa prices have more than doubled year-earlier levels. New York spot Accra cocoa bean prices averaged a record $1.54 per pound during November, going as high as $1.63 in mid-month. Cocoa beans sold for as low as 11 cents per pound in 1965 when supplies were plentiful, and prices have averaged about 46 cents per pound during the last decade.

Several large U.S. chocolate manufacturers have announced that chocolate bar prices will be increased at the beginning of the new year. However, some bar items will also experience a slight weight increase. Other chocolate confectionery products will also be dearer in the coming months.

Although sugar prices have fallen sharply, confectionery manufacturers are faced with rising costs for labor, packaging, and transportation. Costs of other bar ingredients, such as milk and nuts, are also at relatively high levels.

Manufacturers are experiencing a profit squeeze despite efforts to keep retail prices stable by varying candy-bar weights and increasing usage of cocoa butter substitutes and extenders, such as coconut, palm, and soybean oils; karite and illipe butter; and an artifical fat "coberine." But many of these items are now selling at high levels as well.

Still, manufacturers have greatly increased their usage of these and similar products. This means that future cocoa bean consumption will likely be affected by the tendency to continue using these substitutes even when cocoa supplies become plentiful.

World cocoa production is expected to increase in the coming years, but there is still the question of whether output will match demand.

Among West African producers, the Ivory Coast has the greatest potential to increase output. With new areas being opened to cocoa and with young trees from earlier plantings increasing in productivity, Ivorian production should easily reach 300,000 tons by 1980, about 75,000 tons above current levels.

Ghana, the world's largest producer, has little additional land suitable for cocoa cultivation. The increased output from the current renovation programs underway will likely be offset by older trees declining in productivity. Swollen shoot disease has also cut output, and the low prices paid to growers by the Government have discouraged production expansion. Therefore, future output will likely not vary much from the 1975/76 level of about 400,000 tons, although unfavorable weather has reduced prospects for the 1976/77 harvest to around 350,000 tons.

Little, if any, increase can be expected from Nigeria. The major role petroleum has taken in the Nigerian economy and rapid inflation will likely hamper any cocoa expansion, as more farmers seek industrial jobs in the cities. Nigerian production during the last several years has been trending downward, and poor growing conditions this

Harvesting cocoa in Ghana. Like coffee and tea prices, cocoa prices have been moving higher recently, in response to poor crop prospects this season in West Africa—producer of two-thirds of the world's cocoa crop.

season have reduced output to the lowest level in more than a decade.

Because of high rainfall and the resulting 40-50 percent loss to pod rot, Cameroon cocoa expansion appears bleak. The 1975/76 harvest was only about 100,000 tons, and prospects for this season are no better.

Among the Latin American producers, Brazil represents the greatest potential for increasing output. The rejuvenation programs carried out by the Government have been paying off, as can be noted in the bumper crops of recent years. Production levels by 1980 could aproximate 300,000 tons, nearly 50,000 more than current production, if the upward trend continues.

Expansion in Ecuador is limited by heavy rainfall and the resulting losses of up to 50 percent from monilia pod rot. Witches broom disease is also a problem. No large-scale expansion is anticipated for the Dominican Republic and Mexico, and domestic consumption will likely absorb any increased output by Colombia.

As for Asian and Oceania producers, increased output can be expected in Malaysia, and to a much lesser extent in Papua New Guinea. Malaysian production is projected to more than double to nearly 30,000 tons by 1980, reflecting the Government's expansion program for cocoa and oil palm.

However, consumers fear that the moderate projected world cocoa bean production increase will fall short of rising demand, and that more effort will have to be made to increase output. Although world cocoa consumption is far from the saturation point, cocoa bean grindings in 1977 are likely to fall below the 1976 level of 1.5 million tons because of tight supplies and high prices.

The United States is the largest cocoa consumer, accounting for about one-quarter of the world total. Next biggest consumer is the USSR where consumption has risen rapidly during the past decade. East European countries have also expanded their use of cocoa, reflecting rising income levels and more liberal import policy, but they still trail by a wide margin the large cocoa users in Western Europe, such as West Germany, the Netherlands, and the United Kingdom.

Thus, tight supplies and high prices are likely to be maintained for some time. New cocoa plantings usually take 4-5 years to come into bearing, and fertilizer use on cocoa is almost entirely limited to government experimental stations. There is widespread use of insecticides in West Africa to control capsid insects, which feed on the leaves of the cocoa trees, but spraying has now been reduced because of sharply higher prices for the chemicals and lack of grower interest in spraying.

Traditionally, cocoa beans have been exported shortly after harvest, but producing nations are beginning to manufacture and export more cocoa products such as chocolate liquor, cocoa butter, and cocoa cake and powder. New processing factories are being built and existing ones expanded. Most major producing nations have constructed modern cocoa storage facilities in recent years.

However, most cocoa producing nations have rather limited funds, are in need of the foreign exchange cocoa brings, and have been reluctant to store cocoa rather than sell it at harvesttime. But with greater industrialization of the cocoa industry and improved storage facilities, producers have enhanced their position in controlling the flow of cocoa into trade channels.

AVERAGE NEW YORK SPOT ACCRA COCOA BEAN PRICES

[In cents per lb]

Item	Price
ANNUAL	
1966	24.4
1967	29.0
1968	34.4
1969	45.7
1970	34.2
1971	26.8
1972	32.3
1973	64.4
1974	98.3
1975	74.9
1976 Monthly:	
January	75.2
February	75.9
March	75.7
April	87.6
May	96.3
June	107.5
July	107.0
August	114.2
September	128.6
October	138.2
November	154.0
Jan.-Nov. avg.	105.5

World Meal Trade To Expand In '77, Despite Drop in Output

By ALAN E. HOLZ
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Foreign Agricultural Service

IN 1977 WORLD OUTPUT of high protein meals[1] will experience a 3.5-million-ton shortfall from the record volume of 71.2 million tons produced in 1976.

Largely responsible for this decline will be the 18 percent reduction in 1976 U.S. soybean output. However, strong feed demand—spurred by increased animal numbers and rising incomes—is expected to result in continued growth in world meal trade.

This growth will come at the expense of sharply reduced U.S. stocks and utilization, resulting in reduced feeding rates and meal prices significantly above those of a year earlier.

A key factor in the foreign demand strength will be the large soybean purchases by the USSR as well as increased consumption in traditional markets such as West Germany, Spain, and France.

The United States is expected to play a less dominant role in supplying foreign meal consumption requirements, reflecting anticipation of above-trend gains in 1977 meal output in the Southern Hemisphere. However, a large share of the anticipated gain in foreign output will not be available for consumption before April 1977 and as yet is susceptible to the vagaries of weather.

The expected decline in world output of meal—only the second since before 1960—places 1977 world production at 1.9 million tons below the projected 1965-75 trend.

U.S. meal production during 1977 is forecast at 27.6 million tons soybean meal equivalent (SME), 5.5 million below 1976's near-record volume. U.S. meal output will continue below the projected 1965-75 trend by 5.9 million tons and will be only 500,000 tons above the reduced 1975 volume.

However, considering the large carry-in stocks of soybeans and meal this past fall at 5.6 million tons (meal basis), total meal supplies at 33.2 million tons would be about 2 million tons above the 1975 volume.

U.S. meal output during 1977 will account for a reduced share—41 percent of world production of all meals, compared with 46 percent in 1976 and a record 51 percent in 1974. The substantial drop in U.S. output is expected to result in a 3.25-million-ton drawdown in stocks—largely as soybeans.

This shift would follow 3 successive years of gains in U.S. stocks from a volume of only 1.5 million tons at the end of the 1972/73 marketing year, when sharp gains in exports depleted stocks to the lowest level since the fall of 1966.

During 1965-75, U.S. meal production trended up by 1.3 million tons (SME) per year. This gain accounted for 53 percent of the 2.4-million-ton annual trendline growth in world meal production.

Foreign production of oilseed meals (including fish meal) in 1977 is projected at just over 40 million tons—2 million tons above the 1976 volume and 4 million tons above the projected 1965-75 trend. This would be the fourth consecutive year of above-trend gains in foreign meal output. Larger soybean output in South America—chiefly in Brazil—would account for 83 percent of the gain.

Foreign soybean meal production at 15.9 million tons during 1977 will account for 40 percent of aggregate foreign production of all meals, compared with 38 percent in 1976 and 35 percent in 1965.

World export of meals, including the meal equivalent of oilseeds and fish meal, is expected to grow at a sharply reduced rate, following 1976's unexpectedly large gain. In 1977, world meal exports will likely continue above the projected 1965-75 trend.

The projected export volume is expected to approximate 33.8 million tons (soybean meal basis)—1.4 million tons above the large 1976 volume.

The expected gain sharply exceeds the annual trendline gain of only 1.1 million tons, largely because of heavier Soviet purchases of soybeans from the United States and Brazil, as well as some soybean purchases from Brazil by the People's Republic of China (PRC).

Although aggregate world exports are projected above trend, U.S. exports are expected to continue to be sharply below trend, chiefly because of the reduction in 1976 soybean crop availabilities.

In 1977, U.S. exports at 16.6 million tons are expected to register only a moderate decline of 500,000 tons from 1976's record volume. This will require a significant drawdown in stocks to a near-minimum level of 2.4 million tons as well as a 1.7-million-ton reduction in U.S. consumption.

Oilmeal Highlights

—The indicated 5.5-million-ton (SME) decline in 1977 U.S. meal production is relatively certain, since it largely reflects reduced plantings and yields from the 1976 soybean crop. However, adding the 1.3-million-ton (SME) increase in carry-in stocks of soybeans and meal at the beginning of the 1976/77 marketing year, the U.S. supply of meal is down only 4.2 million tons from the 1975 level.

—Over 90 percent of the indicated 2-million-ton (SME) increase in foreign meal output reflects anticipated expansion in 1977 Southern Hemisphere harvests.

—These expected gains, largely from Brazilian production, will not be available for consumption before April, and the exact amount of the gains cannot be accurately assessed at this date.

—A significant part of the expected Southern Hemisphere increase is not likely to move into consumption during the current U.S. marketing season, which ends September 30, 1977.

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[1] Includes soybean, fish, peanut, sunflower, cotton, linseed, rapeseed, copra, and palm kernel meals expressed in terms of 44 percent soybean meal equivalent. Meal production estimates are calculated on the basis of assumed meal extraction rates applied to that portion of each crop available for crushing and/or export, and not actual crushings. Northern Hemisphere crops harvested in the second half of 1976 are combined with estimates of Southern Hemisphere crops yet to be harvested in the first half of 1977.

Based on report presented to USDA National Agricultural Outlook Conference, November 17, 1976.

WORLD OILMEAL OUTLOOK, 1977

- Production prospects indicate that oil availabilities relative to demand will continue to be more abundant than meal. Hence the bean crush will be determined on the basis of meal demand rather than oil demand.
- Meal demand reduction will likely be skewed heavily to the second half of the year.
- Crushing facilities in Brazil and some European countries are still being expanded, which will tend to restrict U.S. meal exports in favor of raw materials.
- The EC may move more of its large volume of nonfat dried milk stocks into feed use.
- Meal availabilities should be adequate to supply domestic and foreign meal requirements, but prices will be substantially higher.
- Above-trend increases in world oil and meal production will be needed in 1978.
- Soybean prices relative to grain prices must continue strong to encourage U.S. soybean area expansion in 1977.
- Meal prices will continue to bear the heavier load in determining the combined soybean oil and meal product value, but oil may bear a slightly increased share of that load relative to the situation last season.
- Crushing margins will continue under pressure of expanding availabilities of palm oil, heavy Brazilian soybean oil, and larger foreign crushing facilities.

A sharp downward adjustment in U.S. meal usage can be expected during 1977, despite some increase in the number of animals. Such an adjustment would to a large extent simply be normalizing feeding rates to pre-1975/76 levels.

Foreign meal consumption in 1977 is forecast to expand by only 2 million tons, following the super gain of nearly 6 million tons in 1976. This forecast assumes a significant drawdown in stocks of major foreign producer-exporter countries.

Although meal prices will be up significantly from those of a year earlier and meal is less favorably priced relative to grain, foreign meal consumption growth is expected to continue, based on increased swine and poultry numbers in key European markets as well as substantial apparent meal consumption gains in the Soviet Union.

Foreign meal consumption during 1965-75 trended up annually by 2.1 million tons (SME). Net U.S. exports supplied about 1 million tons of that gain, while expanding foreign production accounted for the remaining 1.1 million tons.

U.S. net exports of oilseeds and meals, which accounted for only 23 percent of foreign meal consumption in 1965, grew to a record 33.6 percent in 1974.

However, sharp gains in foreign production during recent years—principally in Brazil—together with an anticipated decline in U.S. availabilities in 1977 will reduce foreign dependence on U.S. supplies.

Consequently, U.S. net exports are expected to account for less than 29 percent of 1977 foreign meal consumption, compared with 31 percent in 1976.

BECAUSE of the reduction in world supplies of meal and increased foreign purchases by the USSR and the PRC, foreign consumers are discovering that the supply situation has changed significantly and consequently may become more aggressive in efforts to cover their needs.

Net imports of soybeans and meal (meal basis) since October 1, 1975, into six major markets—West Germany, Japan, France, Spain, the United Kingdom, and Denmark—totaled 11.5 million tons (SME)—20 percent above the level of the same months of 1974/75.

Combined net imports of all oilseeds and meals into these countries during the comparable period rose to 16.4 million tons (SME)—21 percent above those during the same months a year earlier.

U.S. Agricultural Attachés in 12 selected major market countries have appraised the 1976/77 import requirements of their respective countries for soybeans and meal.

Analysis of their projections shows combined imports of soybeans and meal at 18.7 million tons (SME)—down 2 percent or 400,000 tons from the 1975/76 level. Despite the expected decline, imports would be about 5 percent above the projected 1965-75 trend, compared with a 14 percent above-volume level registered in 1975/76. Combined import growth for soybeans and meals into these 12 markets trended up by about 970,000 tons annually during 1965-75.

Adding the combined sales of 2.1 million tons of soybeans (1.7 million tons, SME) to the Soviet Union and the PRC, total import requirements in key markets for the year beginning October 1, 1976, would amount to 20.4 million tons (SME) or 230,000 tons above the 1975/76 volume.

Considering that combined 1976/77 exports of soybeans and meal from the United States and Brazil are estimated at 24.1 million tons (SME) or only 140,000 tons above the 1975/76 volume, the remaining volume available for consumption in other importing countries would be about 3.8 million tons (SME), about unchanged from the 1975/76 volume. This shift would make for a relatively tight supply situation, despite some expected gains in exports from Argentina and Paraguay.

Although high protein requirements in key markets point to a significantly larger livestock and poultry demand base, meal feeding rates in 1977 must be adjusted downward, reflecting the shortfall in world availabilities of high-protein meal.

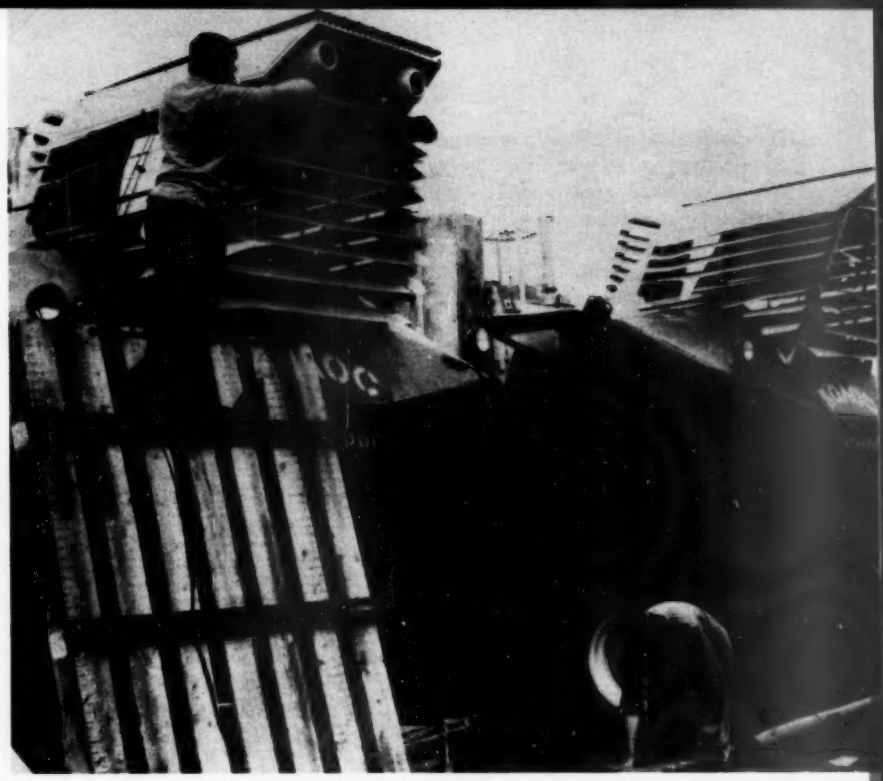
There are some marked contrasts between demand for high-protein meal in the United States and in foreign markets.

In the United States, livestock and poultry profitabliity ratios have been sharply cut from those of a year earlier, and this shift, together with a substantially higher soybean meal/corn price ratio, will result in a cutback in meal feeding rates. Prices for all livestock and poultry products—except eggs—are substantially lower than those of a year earlier because of abundant supplies.

In Europe, however, prices for most livestock and poultry items are somewhat above year-earlier levels. Feed prices, too, are above those of a year earlier, but producer profitability, while reduced, has not been destroyed.

The meal/grain price ratio in the European Community, thanks to high grain price supports, enables feeders to pay a far lower premium for meal over grain than in the United States, where grain prices fluctuate in a free market.

Drought Cuts Czechoslovak Farm Outlook In 1976



THE PROLONGED dry spell that plagued Europe in early June and July has taken its toll on Czechoslovakia's agricultural production in 1976. The hardest hit areas were grain, sugarbeets, and potatoes. Against the planned 10.3 million tons of grain, this year's harvest—including the estimated yields of corn for grain—will come to only slightly above the poor harvest of 1975.

Czechoslovakia had high hopes for substantial increases in grain production this year—8.7 percent—as part of its sixth 5-year plan of attaining self-sufficiency in grain. Now, however, the total 1976 grain crop will amount to 9.4 million metric tons—a little above the poor grain harvest of 1975 that totaled only 9.32 million tons.

The season started well, and all fall sowing was completed on schedule. Winter wheat was sown under favorable conditions on 1.3 million hectares, up 5 percent over 1975 acreage figures. Early spring freezes, however, damaged the crop, and 5 percent of the wheat was plowed under. Furthermore, the long dry spell following the early freeze retarded development of the young wheat crop. But the real damage came from the drought that started in June, ripening the crop prematurely. Kernels shriveled, and harvest losses were unusually large.

Therefore, despite the continuous use of high-yielding Russian varieties of wheat, adequate fertilizer, herbicides, machinery, and strenuous efforts at harvesttime, Czechoslovakia ended its 1976 grain harvest with a disappointing volume, nearly 1 million tons less than planned. Wheat production will come to around 4.5 million tons, against a hoped-for goal of 5 million tons.

Barley production also suffered from the heat wave. Although acreage was increased this spring, using, in part, plowed-under acreage from wheat, output came to roughly 3 million tons (compared with 3.1 million tons in 1975).

Corn production will also be adversely affected by the dry weather, even if all the planted acreage of 180,000 hectares remained for grain harvest in the fall. While 1976 acreage of corn was increased by 15 percent, planting was delayed 2-3 weeks owing to cold weather. This, along with dry weather following plantings in the spring, did not permit the crop to fully germinate, except in areas where irrigation was available. The prolonged summer drought halted all growth, and the cool moist weather that followed in August could no longer repair the damage done in previous months. Output of corn is estimated to be much closer to the 600,000-ton mark than to the original 800,000-ton target. (Corn production in 1975 reached 770,000 tons.)

The estimated 1-million-ton shortfall in grain production will add substantially to Czechoslovakia's import needs for 1977. Czechoslovakia usually imports between 1.0 million and 1.4 million tons of grain. With the poor harvest of 1976, however, the country's import needs may well exceed 2 million tons.

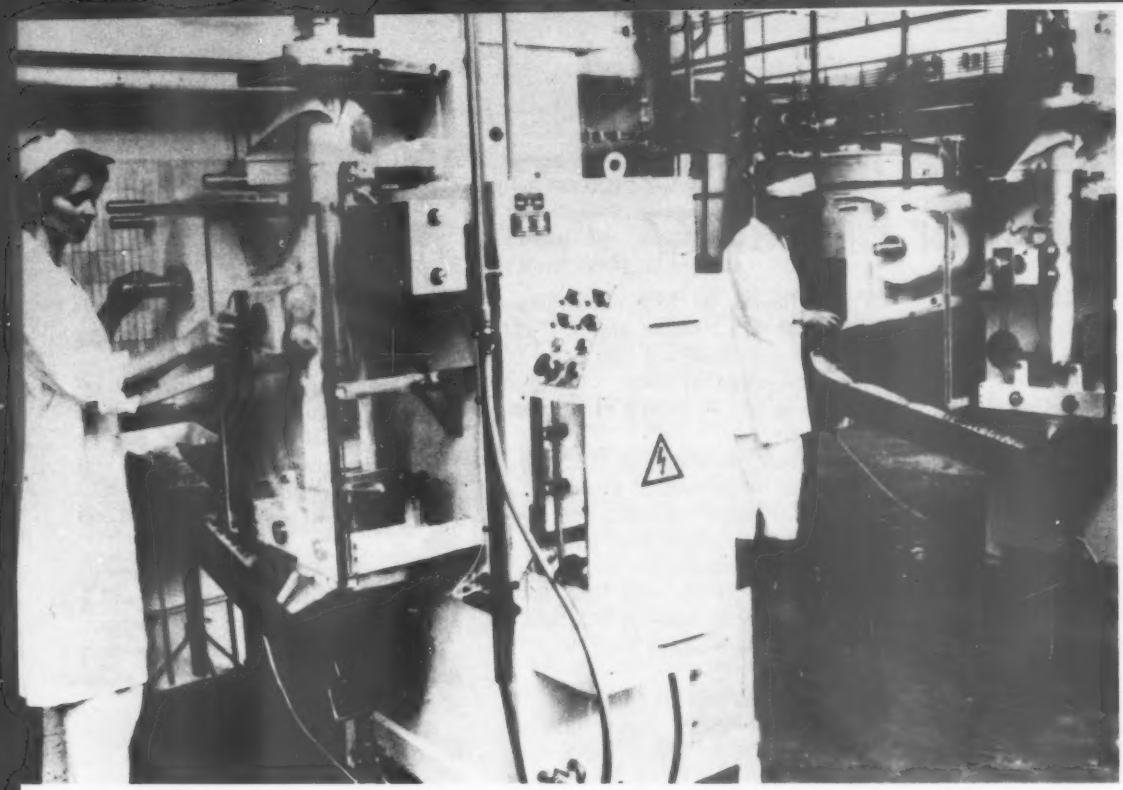
The USSR is expected to supply less than 1 million tons of Czechoslovakia's total grain imports, despite its relatively good harvest in 1976. Part of the remainder will come from Hungary—at least 100,000 tons each of corn and wheat—while the balance will have to come largely from the West.

Czechoslovakia's large carryover stock of grain from the 1974 record crop was drawn down susbtantially during 1975, since imports of grain last year were among the lowest in recent years (880,000 tons). This fact alone could create additional demand for foreign grain.

SUGARBEETS, according to plans, were to be grown on 5 percent larger acreage in 1976, to cover expanding domestic demand and exports. The approximate 220,000-hectare target was not fully met in 1976, however. Delayed plantings due to cold and dry weather following plantings caused sugarbeets to fail to sprout, necessitating resowing, which itself was not particularly successful.

Weed infestation was also a problem, as was the dry and hot weather in June and July. Consequently, Czechoslovakia may end its season with a 7.0-7.5-million-ton sugarbeet crop—down from a disappointing 7.6-million-ton harvest in 1975.

Hopes for a substantial recovery in potato production in 1976 have been dashed by dry weather adversely affecting early potato sowing and harvest, a problem also affecting summer and fall potato plantings. Goals were set at 4.5 million tons, compared with 3.6 million produced in 1975. However, weather kept the potato crop to about 3.5



Far left, preparing for harvest in Czechoslovakia, using Soviet harvesters. Czechoslovakia's grain harvest in 1976 will total only a little above last year's poor harvest. Left, a new dairy at Sabinov, which provides dairy products for local districts.

million tons altogether.

Oilseed production continues to be a problem in Czechoslovakia, despite a slight increase in overall acreage. Owing to weather difficulties, production of rapeseed reached about 120,000 tons, down 8 percent from 130,000 tons produced in 1975. Flaxseed production held at 1975 levels of 110,000 tons, perhaps even a bit more. Soybean and sunflower production remained largely experimental.

Czechoslovakia remained deficient in vegetable proteins in 1975, and is likely to remain so in 1976 and beyond. The country produces only about one-fourth of its protein meal needs and, therefore, the rest must be imported. Demand for foreign soybean meal remained strong in 1975, and Czechoslovakia imported roughly 450,000 tons of soybean meal in that year, two-thirds of which came from the United States. These imports were somewhat higher than those of a year earlier, compensating for the shortfalls in grain production. Roughly 75 percent of Czechoslovakia's protein meal requirements in 1976 will be imported from the West, with soybean meal imports perhaps exceeding the 1975 levels.

The planned 1.5 percent increase in the livestock and livestock product sector in 1976 was substantially lower than the percentage increase of 1975. However, owing to the poor grain crops of 1975 and 1976, livestock supplies began to fall late in 1976.

Slaughtering of cattle and pigs, combined, was to increase only 1.5 percent in 1976 (against 10 percent in 1975), and slaughtering of poultry was to increase 4.6 percent (against 6.8 percent in 1975).

THE REASON for the planned slowdown in animal product production was twofold—to deal with the shortages in feed supplies, and to increase beef supplies in the future, raising cow numbers for increased milk production. This necessitated a lower rate of slaughter, particularly in calves, which already started in 1975.

In comparison with the first half of 1975, the purchase of animals for meat, including poultry, was 3.1 percent lower in 1976, the purchase of eggs 2.3 percent lower. While total cattle on farms on June 30, 1976, stood at 4.7 million head, up 2 percent from 4.6 million the year before, the number of pigs fell 2 percent to 6.7 million head.

As the year progressed, further problems developed in two animal product sectors—pork and milk. In September, procurement of pigs for slaughter came only 98.8 percent of the target, while procurement of milk came only to 96.8 percent.

If forced slaughter develops due to shortage of forage and grain, meat purchases by marketing agencies may increase by the end of 1976. This, in turn, may adversely affect Czechoslovakia's plan to increase meat supplies in 1977 to cover the population's rising demand for meat. The country will have to make every effort to supplement the shortfalls in its grain production through imports in order to assure adequate meat supplies for 1977.

During the past 10 years, meat consumption in Czechoslovakia has risen steadily from 62 kilograms to 82 kilograms per person annually.

With only slight increases in acreage, vegetable purchases in 1976 by State agencies were to increase roughly 5 percent, while those of fruits were expected to rise 8 percent. However, weather in these sectors has left its mark—the late spring, the cold May, and the dry, hot June and July were all adverse factors that seriously damaged the country's fruit and vegetable crops. It is doubtful now if Czechoslovakia will be able to achieve the 5-percent and 8-percent supply growths in these two sectors.

In addition, Czechoslovakia continues to be troubled with labor shortages. In most parts of the country, mechanization has not yet reached these sectors, and, therefore, the available labor force is not sufficient to produce the growing needs of the population.

—Based on a report from
NICHOLAS M. THUROCZY
U.S. Agricultural Attaché
Vienna

Steady U.S. Farm Export Value Seen for Fiscal '77

HIGHER PRICES for U.S. soybeans, oilseed products, and cotton are expected to hold the total value of U.S. farm exports during fiscal 1977[1] at or near the $22.8-billion-level of the previous 12 months, but export volume during fiscal 1977 may be below the year-earlier mark.

U.S. exports of fruits and vegetables during fiscal 1977 are expected to increase only slightly from the $1.46 billion level of 1975/76, mainly because of damage caused by heavy rains in California during September.

Foreign demand for U.S. grain has slackened, lowering the estimate of fiscal 1977 U.S. grain exports about 6.5 million tons from year-earlier exports of 88 million tons.

Major markets for U.S. farm products that are expected to grow during fiscal 1977 are Western Europe and Japan. Expansion of the former is likely because last summer's drought caused crop damage, necessitating a larger volume of imports; Japan's higher level of imports is attributable to improved economic conditions and easing of some import restrictions.

Several factors are contributing to a high level of U.S. agricultural exports. European supplies of grains and other feeds were seriously reduced by drought last summer. At the same time, hog and poultry numbers are expanding in the European Community (EC) and Japan. Economic recovery is continuing in developed and developing countries.

Fiscal 1977 U.S. agricultural imports are expected to increase about 15 percent above 1975/76 imports of $10.5 billion. Thus, the surplus of agricultural trade will total about $11 billion in fiscal 1977, slightly below the $12.3 billion recorded during the prior 12-month period.

The outlook for U.S. farm exports during fiscal 1977 by major commodity groups follows:

Grain and feed. The value of U.S. grain and feed exports for fiscal 1977 is now forecast at $9.2 billion, compared with $12.2 billion during 1975/76. Projected wheat and feed grain exports now stand at about 28 million metric tons and 47 million metric tons, respectively.

At present, the supply of U.S. wheat is plentiful in the face of a continuing tight world supply situation for feedstuffs. Thus, some shift from feedgrains to wheat is anticipated for feeding purposes abroad. At the same time, however, the expected value of U.S. wheat exports has been pulled back to $3.6 billion.

Wheat prices have declined recently under the worldwide supply pressure being generated by record production. Export demand for wheat is somewhat soft at present, with offer prices for U.S. wheat generally higher than offers for wheat from other exporting countries.

The value of U.S. feedgrain exports is now put at $5.2 billion. The forecast for fiscal 1977 U.S. miscellaneous feed and fodder exports stands at over $400 million in anticipation of strong demand by Western Europe.

Fiscal 1977 U.S. rice exports are estimated at about 2 million tons, up from 1.9 million tons a year earlier. World rice consumption is likely to increase in 1976/77, despite a slight drop in Asian and total world production. However, rice prices are expected to remain low.

Oilseeds and Products. The fiscal 1977 value of U.S. exports of oilseeds and products is projected at $6.1 billion, up about $1.4 billion from that of the previous 12 months. This forecast reflects the following positive and negative factors:

- A sharply reduced 1976 U.S. soybean crop of 34 million tons (November 1 estimate), which would leave carryover stocks of only 2.3 million tons after projected 1976/77 exports.
- A likely reduction in U.S. meal consumption, even though demand for high protein meals remains strong reflecting improved economic conditions. Meal prices are expected to be higher in relation to corn than a year ago, resulting in lower feeding rates for meal.
- A projection for 1977 Brazilian soybean production at 13.25 million tons, indicating record availabilities for export. The 1976 corp is now estimated at 11.3 million tons.
- A projected record 1977 Argentine soybean crop of 1.2 million tons, almost double the 1976 crop, indicating greater export availabilities.
- Uncertainties affecting the 1976 estimate of Peru's fishmeal production, which at 860,000 tons may not be reached because full-scale fishing still has not been resumed. Peru's 1977 fishmeal production is projected at 900,000 tons.
- A reduced 1976 USSR sunflowerseed crop estimate—between 5.5 and 6 million tons—because of bad weather.
- Soviet purchases of 2.0 million tons of soybeans from the 1976 crops of the United States and Brazil.

Animals and Animal Products. Combined livestock, dairy, and poultry exports are expected to total $2.2 billion in fiscal 1977, about the same as in 1975/76.

FISCAL 1977 exports of livestock and products are estimated at $1.7 billion, about $100 million less than in 1975/76. The following factors have been considered in this forecast:

- The world supply of animal fats and grease is down. Deficits will be acute in Eastern Europe because of the prolonged drought that forced liquidation of hogs and, in some cases, cattle. Also, some countries have increased the fat content in processed meat products and so are using more animal fats.

The strength in foreign demand for tallow and grease is for animal fats and human food use. Thus, a continued strong demand for food tallow is expected. However, this strength will be offset by larger shipments of grease having lower values causing the overall composite tallow and grease unit value to fall. Thus, while the total value of tallow and grease shipments is expected to increase by about 125 milion pounds to 2.25 billion pounds, the total value of these shipments is expected to decrease 5 to 10 percent from $364 million in 1975/76.

- The volume of hides and skins exported in fiscal 1977 is expected to remain about the same as in the previous year. However, the unit value is expected to increase somewhat as a result of improving world economic conditions. Thus, the total value of

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Prepared from ERS and FAS sources; approved by the USDA Outlook and Situation Board.

[1] **Data are based on the new U.S. fiscal year (October-September) unless otherwise indicated.**

hides and skin exports in fiscal 1977 is forecast at $650 million, up about $25 million compared with 1975/76.

• Breeding animal exports are expected to decline. Increased exports of fed slaughter cattle to Canada will not compensate for this shift. Live animal exports are expected to decrease from $135 million in 1975/76 to about $100 million in fiscal 1977.

Beef exports are expected to increase from $114 million in 1975/76 to $140 million in fiscal 1977. This is primarily a result of economic recovery in overseas markets. The foreign hotel and restaurant trade has evidenced increased demand for high quality primary beef cuts.

• Pork exports are expected to decrease from $260 million in 1975/76 to less than $200 million in fiscal 1977. On the positive side, pork exports to Canada are expected to remain strong because of decreased Canadian production. On the negative side, shipments to Japan will likely be curtailed as a result of reinstatement of the Japanese duty on pork imports as of November 1, 1976.

Dairy exports in fiscal 1977 are estimated about 65 percent above last year's $131 million. Exports of nonfat dry milk under P.L. 480 Title II are expected to continue heavy.

Fiscal 1977 poultry exports should increase about 7 percent in value. Poultry meat sales are expected to remain heavy to traditional U.S. markets and to expanding Mideast markets.

Fruit, Nuts, and Vegetables. During fiscal 1977, U.S. exports of horticultural products are expected to increase only slightly from the $1.46 billion worth exported during 1975/76. The growth will be well below increases of recent years, primarily because of heavy rains that hit California in September. The production of dried fruits was drastically curtailed.

On the plus side, exports of fresh and processed potatoes are expected to exceed last year's pace by a fairly sizable margin.

Less impressive export gains are anticipated for fresh citrus, canned fruits, and tree nuts. Because of the smaller U.S. commercial apple crop, exports may fall somewhat from the level of the past few years.

Cotton. U.S. cotton exports for fiscal 1977 are estimated at close to 1 million tons (nearly 4.5 million 480-lb bales) valued at $1.6 billion. This increase represents a very strong recovery from the 740,000 tons valued at $910 million shipped in 1975/76. Cotton linter exports are projected at 50,000 tons, valued at $12.7 million.

Continued expansion of foreign textile activity, competitive U.S. prices, and reduced foreign export availabilities should strengthen the demand for U.S. cotton abroad in fiscal 1977.

Tobacco. Fiscal 1977 U.S. tobacco exports are projected about 3 percent below 1975/76 exports of 273,000 tons. The combination of increased world competition and lower quality grades in CCC loan inventories is expected to reduce flue-cured exports. This reduction will be partially offset by continuing strong demand for burley. Should some agreement on the Rhodesian political situation result in a lifting of the embargo, U.S. tobacco exports in fiscal 1977 may fall short of the forecast.

Sugar and Tropical Products. Exports of sugar and tropical products are expected to be up slightly from those of a year earlier. Lower sugar exports will likely be offset by the increased value of coffee exports. Larger shipments of beverage-base sirups and flavoring extracts are also anticipated.

Major Markets

Western Europe. The drought that struck Western Europe last summer caused severe crop damage in several large producing areas. West European feedgrain production fell 10 million tons, or 12 percent, and potato output fell 11 percent.

Largely as a result of reduced crop production and some economic recovery, Western Europe's imports of U.S. agricultural products are expected to expand. Fiscal 1977 U.S. shipments are estimated at $8.0 billion, up a tenth from the year-earlier value.

Much of the value increase is expected to result from larger shipments of feedgrains and from sustained sales of protein feed at higher prices. Exports of potatoes and some other fresh and processed fruits and vegetables are also expected to be above year-earlier levels.

Increased slaughterings of cattle have occurred in some major European countries because of the drought, but cattle numbers will remain high, partly because slaughter rates in the first half of 1976 were below year-earlier levels. Hogs and poultry numbers are on the

UNCTAD COMMODITY MEETINGS SET

The United Nations Conference on Trade and Development (UNCTAD) has drawn up a tentative schedule of commodity meetings to be convened during 1977. These meetings were provided for under a resolution adopted by the UNCTAD fourth ministerial meeting in May 1976 at Nairobi.

The resolution, which calls for an Integrated Program for Commodities, provides for preparatory meetings on a list of commodities. These could be followed by international negotiations on agreements.

The resolution also provides for preparatory meetings and negotiations on a proposed common fund, which would provide the financing for commodities schemes.

The United States made it clear at the time this resolution was adopted in Nairobi that U.S. participation in the commodity meetings does not imply commitment to negotiation of commodity agreements. Likewise, U.S. participation in preparatory meetings on a common fund does not commit the United States to participation in the common fund negotiating conference.

Preparatory meetings are scheduled during the next 3 months on:

• Rubber, January 17-21;

• Common fund (second meeting), January 24-28;

• Jute and jute products (second meeting), January 31-February 4;

• Common fund (third meeting), February 21-March 1.

A negotiating conference on a common fund has been scheduled for March 7-April 1.

The schedule for meetings between April and December 1977 on several other agricultural commodities will be reviewed and possibly revised at the March meeting of the ad hoc intergovernmental committee for the Integrated Program for Commodities, which coordinates carrying out the Nairobi commodities resolution. The schedule includes meetings on cotton, tropical timber, vegetable oils and oilseeds, bananas, tea, and meat. —JoAnn Hallquist, FAS

upswing in the EC, and total use of grain for feed should reach a record high in Western Europe during 1976/77. These developments, together with reduced availability of domestically produced feedstuffs, should add to the demand for U.S. feed.

As a result of the drought, the EC took some actions that could have a somewhat favorable impact on imports. These include the temporary suspension or reduction of duties on imports of potatoes and certain fresh and frozen vegetables as well as the doubling of the reduction applicable to the import levy on feedgrains going into Italy during the 1976/77 marketing year.

THE EC IMPORT DEPOSIT on proteins was terminated October 31, despite the EC Commission proposal to extend the plan. An EC proposal for what would amount to an indirect tax on imports of soybeans now appears to be dormant.

Japan. U.S. agricultural exports to Japan in fiscal 1977 are expected to reach a record 12-month high of $3.6 billion, up from the $3.4 billion recorded in 1975/76. Feed and cotton exports will account for the increase. Japanese broiler and hog numbers are expected to increase substantially in fiscal 1977 as a result of higher product prices and relatively lower feed prices.

Product prices will be spurred by growth in population and real disposable income and by import restrictions. The improved outlook for the Japanese textile market and increased mill consumption are largely a result of the economic recovery.

Canada. U.S. agricultural exports to Canada are expected to total $1.5 billion in fiscal 1977, up from $1.4 billion in the year earlier. Higher soybean prices will account for the increase. Canadian corn and soybean output declined this year, but U.S. exports of these commodities to Canada are expected to increase only slightly in volume. New feedgrain policies have been instituted in Canada aimed at making Canadian barley competitive with U.S. corn in eastern Canada.

USSR. Fiscal 1977 U.S. agricultural exports to the USSR are forecast at about $1.3 billion, compared with $2.05 billion during 1975/76 and $600 million during 1974/75.

Grain is expected to account for almost three-fourths of the exports, with soybeans accounting for most of the remainder. In the grain export forecast, USDA assumes that the Soviets will import about 8 million tons of U.S. grains, the maximum permitted under the U.S.-USSR grain agreement without prior consultation with the U.S. Government.

As of late October, the Soviets had purchased 6.6 million tons (2.6 million of wheat and 4.0 million of corn) for delivery during the fiscal year. The Soviets have also purchased 1.5 million tons of U.S. soybeans for shipment in fiscal 1977.

In late October, Soviet officials announced that the 1976 Soviet grain crop would equal and possibly exceed the 1973 record harvest of 222 million tons. The increased grain availability will be reflected in a buildup of stocks and a recovery in livestock feeding and exports.

Eastern Europe. Drought struck the northern countries of Eastern Europe last summer, and no recovery was achieved there from 1975's disappointing harvest. The 5-million-ton increase in Eastern Europe's wheat production was offset by a reduction in coarse grain output.

The decline of domestic feed production in Czechoslovakia, East Germany, and Poland in 1976 will force these countries to step up feed imports. It is expected that the United States will maintain its share of the increased feed imports, but the gain in export volume will be offset by lower grain prices.

The value of U.S. exports to Eastern Europe in fiscal 1977 may drop slightly from the $1.3 million total achieved in 1975/76. Grains, soybeans, and soybean meal will comprise about nine-tenths of the total value as they did a year earlier.

People's Republic of China. Although 1976 has not been a good year for Chinese agriculture, U.S. agricultural exports to the PRC are expected to remain small. The PRC trade deficit will continue to restrain Chinese imports.

A POSSIBLE drop in 1976 PRC grain production and low world grain prices may lead to some rise in PRC wheat imports. However, purchases from the United States are not likely to occur.

There is increased pressure to import cotton because of tight supplies in the PRC, and reduced availability of cotton from some of the PRC's traditional suppliers could result in a resumption of U.S. exports to China during fiscal 1977. But high prices and tight export supplies should limit sales.

East and Southeast Asia. Fiscal 1977 U.S. farm exports to East and Southeast Asia, excluding Japan and the PRC, will increase slightly in fiscal 1977, up from $2.1 billion a year earlier. Gains in U.S. agricultural exports to South Korea, Taiwan, Hong Kong, and Indonesia are expected. U.S. agricultural exports to Taiwan could exceed $700 million in fiscal 1977, up from $516 million during October 1975-September 1976. Larger deliveries of corn, cotton, and soybeans should push U.S. farm exports to South Korea to almost $1 billion in fiscal 1977, up from $809 million.

South Asia. U.S. agricultural exports to South Asia in fiscal 1977 are likely to remain near the year-earlier level of $1.13 billion. A reduction in grain shipments will be about offset by expanded vegetable oil and cotton exports.

While wheat exports to India are likely to decline substantially, gains in U.S. exports of vegetable oils and cotton might keep the value of shipments to India near $700 million.

U.S. wheat exports to Pakistan in fiscal 1977 are likely to rise to about 600,000 tons—up from 494,000 tons in the previous period. Strong gains in U.S. exports of vegetable oils to Pakistan are also expected.

West Asia. Fiscal 1977 U.S. agricultural exports to West Asia are expected to total about a tenth above the $823 million shipped during October 1975-September 1976. Larger shipments of poultry meat, feedgrains, rice, soybeans, and vegetable oils are anticipated.

Africa. U.S. agricultural exports to Africa may expand slightly from the 1975/76 value of $1.14 billion. Shipments to North Africa are expected to increase about 15 percent. Shipments of feed grains, soybeans and cottonseed oils, tobacco, and cotton to Africa, will be sharply higher. Wheat and rice shipments may be somewhat lower.

Latin America. Lower grain prices and a reduced volume of wheat shipments will reduce the value of U.S. farm exports to Latin America to fall to about $1.8 billion in fiscal 1977, down from $2.1 billion in the prior 12-month period. U.S. wheat export volume is expected to be about 80 percent of the 1975/76 total. Rice and feed grain shipments are expected to increase.

Tokyo Show A Success, MEF To Open Office Sooner

Scenes at the recent meat and poultry show in Tokyo: Japanese school nutritionists and dietitians (top) toured the show in its final day. Part of the group is shown at the booth of the Poultry and Egg Institute of America, sampling turkey hotdogs. Immediately above, Bengt Svenson, director of export for International Foodservice Corp., of New York, talks business with Japanese meat buyers.

BECAUSE OF export possibilities revealed during a 2-week study of the Japanese market by Alan R. Middaugh, president of the U.S. Meat Export Federation (MEF), and the results achieved by the group's participation in the U.S. Meat and Poultry Show at the U.S. Trade Center in Tokyo during October, the Federation will open a Far Eastern market development office in the Japanese capital by the end of 1977. Middaugh, interviewed in Tokyo, said this would be at least a year earlier than had been foreseen in the early stages of MEF planning.

Sales at the show, in which 20 U.S. companies had exhibit booths—10 showing red meat, 6 poultry meat, and 4 both red meat and poultry—far exceeded sales objectives set when the show was organized by the Office of the U.S. Agricultural Attaché to Japan.

Floor sales reported during the 3-day event totaled more than $1.7 million. The objectives had been for at least $400,000 in floor sales and a total of $1 million over the subsequent 12 months.

The show was the first market development venture for MEF since it was organized last February and signed a contract with the Foreign Agricultural Service of the U.S. Department of Agriculture (USDA) for a cooperative program of market development for U.S. beef, pork, lamb, and their products.

USDA sponsored the Tokyo show in cooperation with MEF and the Poultry and Egg Institute of America (PEIA), which has been promoting U.S. poultry products in Japan since the 1960's.

"This is a very viable and expandable market for U.S. meat products," Middaugh said after the show. He said he based his view on several things, including the measurement of shelf space in supermarkets devoted to imported meat products.

He also cited an "attractive" price relationship from the U.S. point of view between domestic production, which is a high-cost operation, and imported meats, and a "very apparent" increased desire by the Japanese to have high-quality meats in their diets.

At a seminar arranged by show manager John Glew, Assistant U.S. Agricultural Attaché to Japan, exhibitors were told by an official of the Japanese Ministry of Agriculture and Forestry that it expects a slowing of what has been a 4-5-percent yearly increase in the Japanese demand for meat between 1971 and 1974.

He projected a gain of 3.1 percent yearly in red meat requirements from 1977 to 1985, with beef growth about 1 percent greater than the overall average. He said that Japan, which is trying to increase domestic production, would be importing about 20 percent of its beef requirements in 1985, and "pork to some extent."

J. Marvin Garner of Des Moines, Iowa, a director of MEF and executive vice president of the National Pork Producers Council, was among those at the show who thought pork imports have a good sales potential in Japan.

He said buyer and user interest in the wide variety of pork products displayed, Japanese affluence, and the Japanese need to expand protein sources as fishing prospects fade bode well for the import market.

"One of the encouraging things to me is the number of retail people, dietitians, and chefs who came to see the products," Garner said.

U.S. exports of pork to Japan during

the first 10 months of calendar 1976 reached well over the 12-month total of 1975 of $94 million by the time a 16½-month waiver of the variable import levy—which had helped generate the increase—expired at the end of October. Through October 1976, these exports totaled over $116 million, compared with $75.1 million in the same period last year.

U.S. shipments of chilled and frozen beef in calendar 1976 also are showing a sizable gain over last year's total of $26 million. Beef and veal exports for the January-October 1976 period were $36.7 million, up from $11.2 million in the same months of 1975.

Net poultry products, such as turkey hotdogs, salami, pastrami, and ham, attracted heavy interest.

"Further-processed turkey products are relatively new in Japan," explained one U.S. exhibitor, "and their sales have been increasing. We're selling a total of [only] a million pounds of turkey a year in a market that has over 100 million people. It's astronomical what could be done."

The poultrymen were told at a seminar for exhibitors that the Japanese Government is considering control of poultry meat imports.

This year, he said, imports could be from 50,000 to 90,000 tons, including some neck skins, and Japanese producers have been pressuring the Government to control imports.

However, he noted, there is no intention to put controls on turkeys or ducks, Japanese production of which is small.

U.S. exports of poultry meat to Japan have been running well over last year's, when they totaled $15.7 million, and Lee Campbell, vice president of PEIA, who attended the show, was optimistic about the future.

"We're introducing some very new products at this show, some of them are even new in the States," he said. "Per capita intake here shows growth, and the hotel, institutional, and retail trade continues to increase."

U.S. poultry meat exports between January and October 1976 totaled $45.1 million ,compared with $22.4 million in the 1975 period.

U.S. Imports of Mexican Tequila Rocket to 20 Million Liters

Promotional activities by U.S. importers, aided by the steady flow of U.S. tourists south of the border, and the penchant of young adults to try new drinks, have pushed U.S. imports of Mexican tequila to a higher level each year since at least 1970.

Rising by more than 400 percent between 1970 and 1974, U.S. purchases of Mexican tequila went from 3.2 million liters to 16.4 million in that period. In 1975, they reached an estimated 19 million liters, rising to an estimated 20 million liters in 1976. This is a long way from the first 3-barrel shipment of tequila to this country in 1883 from to tiny Mexican town of the same name.

Prior to the Spanish conquest of Mexico in the early 16th century, the Mexican Indian tribes had never tasted high-alcoholic-content drinks. They drank their fermented liquors made from locally abundant grains and plants, including the beer-like pulque. Along with their language and religion, the Spaniards quickly introduced the distillation process with which they made aguardiente or "firewater."

The distilled, potent drinks became popular with conquerors and conquered alike, and today's Mexicans continue the 450-year-old tradition of drinking mezcal and tequila, both high-potency drinks.

The Mexican tequila industry consists of 40 companies operating 45 distilleries, with 5 others under construction. All but four of these are in the State of Jalisco, concerntrated around the town of Tequila. The other four are in Nayarit State. These 40 companies represent a combined investment of over US$25 million and range from very small to very large operations.

Total tequila production in 1975 was about 44.7 mililon liters, a 16 percent increase over the 1974 output of nearly 38.5 million liters. Exports in 1974 were about 16.8 million liters, about 50 percent of production, compared with about 11.2 million liters exported in 1973. Most of Mexico's tequila exports are to the United States.

In fact, the growth of the tequila industry in Jalisco State—and probably in some others—depends largely on the rising demand of the U.S. market.

Domestic consumption has shown a smaller increase than exports—rising by only 16 percent between 1968 and 1974 but dropping 4.7 percent between 1973 and 1974.

Normally, bottled tequila is around 86-90 proof when sold at retail in Mexico and 80-86 proof when exported to the United States.

The two largest tequila manufacturers dominate 60-70 percent of the local market. The remainder is mainly shared by three other manufacturers.

In the export market, the No. 1 firm accounts for about one-third of all foreign sales. However, 11 other firms also sell on the export market, many of them surviving on their exports sales alone.

Tequila is made by twice distilling the fermented juice of the crushed head of the *Agave tequilana weber* plant that grows in abundance in the Mexican State of Jalisco, as well as parts of the neighboring States of Nayarit, Guanajuato, and Michoacán.

In September 1974, over 131,000 acres had been planted in the blue agave variety commonly used to make tequila. And according to Mexican trade sources, this area could be expanded tremendously without great difficulty if the demand for tequila warrants the increase.

Agave plants require 6-12 years to mature (the average is 7-9 years), for tequila making. The price paid at the factory for agave plants is about 5 U.S. cents per kilogram (2.2 lb). A hectare produces about 70 metric tons of agave.

A farmer who planted a full hectare of agave today would collect between US$3,000 and $3,700 for his crop in about 7 or 8 years.

The value of the presently existing 180 million plants is estimated at about US$28 million and their cultivation employs 12,000 heads of families. Estimating four persons per family, this means about 50,000 persons depend on agave cultivation for their daily bread.

—By BRUCE MALKIN,
U.S. Consultate General, Guadalajara

USSR Cotton Crop Approaching Record Level

Weathering difficult harvest conditions and premature cold, frost, and rain, it now appears that the 1976 Soviet cotton crop is close to the 1974 record. With cotton still being picked in early December, a bumper crop, larger than prior expectations, now seems likely.

Very good to excellent crops have been reported in most of the cotton-growing republics in Soviet Central Asia and in the Transcaucasus, and the possibility of achieving a bumper crop remains feasible until the end of the harvest season.

As of about November 25, total seed cotton sales to the Government reportedly reached more than 8.2 million metric tons. This is far ahead of the sales progress during the same period a year ago, and close to Government procurement in record year 1974 when total output was 8.4 million tons.

Soviet press and official statements throughout October regarding the 1976 cotton crop were generally optimistic, despite the onset of early and prolonged unfavorable weather in October that caused delays in harvesting.

Soviet Minister of Agriculture V. K. Mesyats, in an October 8 speech, stated the USSR has grown a bumper cotton crop. Party Chairman L.I. Brezhnev reported on October 25 that "we are convinced" that the planned level of cotton production would again be exceeded this year, but that this level was not the limit as "it is believed that new records are before us."

On October 28, Moscow radio reported that there was a possibility that a record amount of cotton would be procured for the textile industry in 1976. Similar statements regarding a record crop were also made in 1975, but owing to less-than-favorable growing conditions (as opposed to good growing conditions this year) and difficult harvesting conditions in 1975 (similar to harvesting conditions this year), the final 1975 cotton crop fell somewhat short of meeting high expectations.

Reports from the three major cotton-producing republics in the USSR—Uzbekistan, Turkmenistan, and Tadzhikistan—indicate progress in cotton harvesting in these areas was hampered by unfavorable harvest conditions from early October to about early November.

The cotton crop in Uzbekistan, the major cotton-producing Republic in Soviet Central Asia and the USSR, has been reported to be a rich one. As of about November 24, the Republic had procured 5.3 million tons of seed cotton —far ahead of the sales progress of 1975. In 1974, Uzbekistan's harvest reached a record 5.33 million tons.

Turkmenistan—second in cotton production—also reported a good crop, and as of about November 26, had procured 1.02 million tons of cotton, somewhat less than the amount sold at the same time in 1974, but ahead of sales in 1975.

Following heavy rainfall, harvest conditions at the beginning of November improved greatly in Tadzhikistan. As of about November 22, the Republic had sold more than 820,000 tons of cotton to the Government—ahead of sales progress in 1975, but somewhat less than in 1974.

Cotton sales in the remaining three cotton-producing republics have been excellent. Azerbaydzhan's sales had reached a record level, surpassing the bumper crop of 533,000 tons in 1974. Kirgizia had exceeded its sale pledge and cotton sales totaled 208,000 tons (in 1974 Kirgizia sold a record crop of 211,000 tons). Kazakhstan had also attained great success in cotton sales, reporting a good crop, and assuring that the 1976 pledge of 310,000 tons would be fulfilled. —ANGEL O. BYRNE, ERS

New Taxes Spur U.K. Cigarette Price Cut

Although it is unusual in periods of increasing inflation, taxes, and materials costs for prices of luxury products to decline, prices of kingsize cigarettes in the United Kingdom (U.K.) are being cut as manufacturers scramble to entrench or expand their market shares in preparation for what could be a period of far-reaching change.

Price adjustments in recent months have been sparked by the United Kingdom's 20 percent tax on the retail price of cigarettes, effective May 10, 1976. The tax, which is a step toward bringing the U.K. tobacco tax structure into conformity with that of the European Community (EC) by January 1978, was expected to boost retail cigarette prices by the U.S. equivalent of 5-6 cents per pack.

However, the three major domestic manufacturers, anticipating the price effects of the tax change, moved quickly to strengthen their positions in the king-size market, which is expected to expand more than smaller cigarettes under the ad valorem tax structure.

A series of price cuts, new brand introductions, and special discounts to distributors have dropped retail prices for king-size brands to as low as 70 cents per pack.

However, it is likely that the tax change will force manufacturers to boost prices of small and mini cigarettes.

The price adjustments resulting from the tax change foreshadow market turmoil to come. The cigarette tax structure the British must adopt in 1978 is markedly different from the one they have long employed. Beginning in 1978, cigarette taxes will be imposed solely on the end-product, in contrast to the traditional U.K. excise levy on raw tobacco when it leaves bonded storage for manufacture.

The end-product tax will be a combination of a specific charge per cigarette and ad valorem percentage of the retail price. The traditional excise tax was a wholly specific charge levied on the weight of tobacco used, regardless of value.

The shift to end-product taxation is expected to narrow the price differential between small and large cigarettes. Since retail prices of cigarettes no longer will be determined by a tax on tobacco content and because manufacturing costs differ little between small and large cigarettes, king-size cigarettes should become a better retail buy.

The range of eight cigarette sizes and types available in the United Kingdom could be reduced to three or four, and the price spread between the smallest and largest sizes could shrink from about 38 cents to as little as 6-10 cents per pack.

The ad valorem component of the new tax structure size also could force market change. Under the current EC harmonization directive, the ad valorem component must be at least 25 percent but not more than 90 percent of the total tax.

—KENNETH E. HOWLAND, FAS

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EC TO CHANGE IMPORT LEVY SYSTEM

Although the current "jumelage" system controlling European Community beef imports will likely be phased out by April 1, 1977, the EC Commission is considering a modification of its system of variable import levies, which will probably continue to control imports from third countries, keeping them well below the levels witnessed before tight import control programs began in 1974.

Currently, imports of beef and veal are allowed only under the GATT (General Agreement on Tariffs and Trade) quota, special arrangements with several African, Caribbean, and Pacific (ACP) countries, and the "jumelage" linked sales program. The EC Commission is discussing a proposal to replace the "jumelage" system with a new, tougher, system of variable levies, in which the levies would increase as cattle prices decline on the internal EC market. The GATT quota, and certain special concessions to selected ACP suppliers would remain intact.

Under the present variable levies, 100 percent of the basic levy, calculated as the difference between the import price and the EC's internal guide price, is applied when the internal market price for cattle is at or below the guide price. However, the EC Commission has been discussing a proposal to increase the percentage of the basic levy applied to as much as 115 percent when the internal market prices fall to certain levels below the guide price.

As an illustration of the proposed levy system the EC market price in the first part of November was about 89 percent of the guide price. At this level, under the present system the full levy would be applied to the price of imported beef and veal. The adjusted variable levy in November for frozen beef carcasses imported into West Germany was about $1.58 per kilogram (kg). However, under the new system, the adjusted levy under these circumstances could reach $1.79 per kg.

Assuming that the price of frozen beef carcasses delivered to West Germany is $1.35 per kg, the levy under the new system would be one and one-third times the import price. Adding the 20 percent duty which is charged by the European Community against imports of fresh, chilled, or frozen beef and veal, the total import charges for frozen beef carcasses imported into West Germany in this example would be over one and one-half times the assumed import price. (The duty is not charged on imports under the ACP program.)

If implemented, this system would probably not allow EC imports from third countries to increase significantly above the restricted levels in the last 3 years. In 1973, the European Community imported about 985,000 tons, carcass weight equivalent, of beef and veal from non-EC countries. However, because of the virtual ban on imports under the current safeguards, such imports in 1976 are expected to total less than 200,000 tons.

The proposed system provides that the variable levies would drop to zero if internal EC cattle prices rose to 106 percent of the guide price.

—By GARY GROVES, FAS

New Metric Publication

Highlights of the metric-measures laws and practices of 37 foreign countries are presented in a new U.S. Department of Commerce publication, "Metric Laws and Practices in International Trade: A Handbook for U.S. Exporters" (for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at $1.45).

The publication provides basic information to U.S. exporters on foreign laws and regulations pertaining to metric-measure requirements for imported products. Summaries describe both the legal admissibility of U.S. products in foreign markets as well as the commercial acceptability of these products.

Information on the applicability of foreign standards to U.S. products is not included in the report. Prospective exporters who can identify a particular published foreign standard by title or number may arrange to obtain a copy through the American National Standards Institute, 1430 Broadway, New York, N.Y. 10018. Exporters who do not know whether a foreign standard exists for a product in a given market or group of markets may write to the Technical Help for Exporters Program, National Technical Information Service, U.S. Department of Commerce, 5285 Port Royal Road, Springfield, Va. 22161 or to the Foreign Agricultural Service, USDA, Washington, D.C. 20250.

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